

## Alternative Employment Arrangements

Information on workers in four alternative employment arrangements was collected in the February 1997 Current Population Survey (CPS) and compared with similar information obtained in the February 1995 CPS. In general, the proportion of total employment accounted for by each arrangement, as well as the characteristics of workers, had not changed significantly.

People employed in two of these arrangements—temporary help agency workers and contract company workers—are employees of one company and carry out assignments for another. Workers in a third arrangement—workers on call—do not have an established schedule for reporting to work. The fourth arrangement—independent contractors—consists of workers who are not employees in the traditional sense but those who work for themselves. Being the largest group, independent contractors accounted for two-thirds of workers in alternative arrangements and 6.7 percent of all workers. The proportion of workers in the various alternative arrangements was unchanged between 1995 and 1997. However, the number of workers in the four arrangements increased by about 400,000 over the 2-year period.

This report covers demographic and job characteristics, earnings, and benefits of workers in each alternative arrangement and compares them with workers in traditional arrangements. Classification of workers was made without regard to their contingent status (whether their job was temporary) or their part-time

status. Part-time workers were classified in an alternative arrangement only if they met the criteria for that arrangement.

### Independent Contractors

In February 1997, 8.5 million people were identified as independent contractors, independent consultants, or freelance workers. Most independent contractors (88 percent) were self-employed. About half of all self-employed individuals were identified as independent contractors, rather than as other types of self-employed workers, such as shop or restaurant owners.

Two-thirds of independent contractors were men; they were older and had more education than the average worker (table 1). Nearly 70 percent were married, compared with 59 percent of traditional workers. About 26 percent worked less than 35 hours in a typical week, compared with 18 percent of traditional workers; however, nearly 30 percent of independent contractors worked 49 hours or more in a typical week, compared with only 17 percent of traditional workers.

The most common occupations for male independent contractors were managers, construction craftworkers, proprietors, writers and artists, and real estate and insurance salespersons. For women, the most frequently occurring occupations were managers, writers and artists, real estate and insurance salespersons, door-to-door sales, and child-care providers.

Compared with workers in the other alternative arrangements, independent contractors liked their employment arrangement—84 percent preferred it to a traditional job. Men reported that they liked being their own boss, and women

said they liked the flexibility of scheduling and the ability to meet family obligations.

Only 3.5 percent of independent contractors reported that they were contingent or temporary workers, the lowest percentage of the alternative arrangements. Median years in the arrangement were greater than those for traditional workers with their current employer, 7.7 years versus 4.8 years.

Among full-time workers, earnings of male independent contractors were higher than those of their counterparts in traditional employment, whereas earnings of female independent contractors were lower (table 2). The gender gap in earnings was greater among independent contractors (52 percent) than among traditional workers (28 percent). Health insurance coverage was reported by almost three-quarters of independent contractors; women were more likely than men to have coverage, and women with coverage were more likely to obtain it through a spouse or other family member (38 percent) than by purchasing it on their own (25 percent). About 37 percent of independent contractors had some type of pension coverage.

### On-Call Workers

These workers report to the job only when specifically asked to do so, although it may be for several days, or even weeks, in a row. Workers who are often on call include substitute teachers, construction workers, nurses, and truckdrivers. People with regularly scheduled work who also might be on call after hours (medical residents and computer technicians) were not included in this category. In February 1997, there were 2 million on-call workers.

**Table 1. Employed persons with alternative and traditional work arrangements, by selected characteristics, February 1997 [percent distribution]**

Characteristic	Workers with alternative arrangements				Workers with traditional arrangements
	Independent contractors	On-call workers	Temporary help agency workers	Workers provided by contract firms	
<b>Age</b>					
Total, 16 years and older (thousands)	8,456	1,996	1,300	809	114,199
Percent	100.0	100.0	100.0	100.0	100.0
16 to 19 years	.8	9.7	6.1	2.0	5.0
20 to 24 years	2.4	11.9	16.5	8.2	9.8
25 to 34 years	18.3	22.4	30.3	34.2	25.4
35 to 44 years	31.1	25.4	21.5	31.1	27.7
45 to 54 years	26.5	14.4	16.2	14.2	20.4
55 to 64 years	13.9	9.7	6.7	7.7	9.2
65 years and older	7.0	6.5	2.8	2.7	2.5
<b>Sex</b>					
Men, 16 years and older	66.6	49.0	44.7	69.8	52.7
Women, 16 years and older	33.4	51.0	55.3	30.2	47.3
<b>Race and Hispanic origin</b>					
White	90.7	89.3	75.1	81.6	84.8
Black	5.3	7.8	21.3	12.9	10.9
Hispanic origin	7.3	13.3	12.3	6.3	9.6
<b>Educational attainment</b>					
Total, 25 to 64 years (thousands)	7,590	1,437	970	705	94,424
Percent	100.0	100.0	100.0	100.0	100.0
Less than a high school diploma	8.7	13.4	11.1	7.1	9.7
High school graduate, no college	30.3	28.7	30.7	36.9	32.8
Less than a bachelor’s degree	26.8	32.0	36.3	23.3	28.0
College graduate	34.1	25.9	21.9	32.7	29.5

Note: Workers with traditional arrangements are those who do not fall into any of the "alternative arrangements" categories. Details for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented, and Hispanics are included in both the White and Black population groups. Details for other characteristics may not sum to totals because of rounding.

**Table 2. Median weekly earnings of full-time workers with alternative and traditional work arrangements, by selected characteristics, February 1997**

Characteristic	Independent contractors	On-call workers	Temporary help agency workers	Workers provided by contract firms	Workers with traditional arrangements
<b>Age and sex</b>					
Total, 16 years and older	\$587	\$432	\$329	\$619	\$510
16 to 19 years	( <sup>1</sup> )	243	( <sup>1</sup> )	( <sup>1</sup> )	237
20 to 24 years	478	328	286	( <sup>1</sup> )	328
25 years and older	590	457	364	681	550
Men, 16 years and older	621	508	385	685	578
16 to 19 years	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	252
20 to 24 years	523	328	312	( <sup>1</sup> )	343
25 years and older	624	524	406	727	613
Women, 16 years and older	409	286	305	439	450
16 to 19 years	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	217
20 to 24 years	( <sup>1</sup> )	( <sup>1</sup> )	252	( <sup>1</sup> )	309
25 years and older	414	287	323	439	479
<b>Race and Hispanic origin</b>					
White	603	455	324	675	524
Black	399	378	332	394	428
Hispanic origin	438	321	281	( <sup>1</sup> )	357
<b>Educational attainment</b>					
Less than a high school diploma	398	289	265	( <sup>1</sup> )	302
High school graduate, no college	512	423	310	491	427
Some college, no degree	581	498	306	522	494
Associate's degree	523	558	433	( <sup>1</sup> )	519
College graduate	752	521	497	910	769

<sup>1</sup>Data not shown where base is less than 75,000.

Note: Workers with traditional arrangements are those who do not fall into any of the "alternative arrangement" categories.

On-call workers, compared with traditional workers, were more likely to be female (51 percent and 47 percent, respectively). And more of the women who were on-call workers, compared with traditional workers, had children (61 vs. 56 percent). The percentage of on-call workers who were Hispanic was higher than that for the general work-

force (13 vs. 10 percent). Also, about 22 percent of those on call were under the age of 25, compared with 15 percent of traditional workers. Male on-call workers were less likely than other male workers to have graduated from college, whereas female on-call workers were more likely to have a college education.

More than half (53 percent) of on-call workers worked part time in a typical week; only 18 percent of traditional workers did so. Among those 20 years and older, women on call were much more likely (68 percent) than men (28 percent) to work part time.

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On-call workers who were male were likely employed as construction craftworkers, motor vehicle operators, and cleaners, helpers, and construction laborers. Female on-call workers were most often working as substitute teachers, clerical workers, food preparation workers, nurses, and retail salesclerks.

About half of on-call workers would have preferred a traditional job. Most men gave an economic reason for being on-call workers, and the most often cited reason was that the current job was the only one the individual could find. Most women, on the other hand, gave a personal reason—most often the reason was schedule flexibility.

Among full-time workers, on-call workers who worked full time earned about 85 percent of the median earned by traditional workers. However, women earned only 56 percent of what men earned in on-call arrangements, compared with 78 percent in traditional jobs. Health insurance coverage was reported by about two-thirds of on-call workers, but only 20 percent received it from their current employer. Only 31 percent reported that they were eligible for health insurance coverage from their employer, compared with 73 percent of traditional workers. About one-fourth of on-call workers were eligible for an employer-provided pension; 19 percent were actually included in a plan.

### **Temporary Help Agency Workers**

Temporary help agencies place, screen, evaluate, and sometimes train workers with client organizations. Thus these workers are employed (and paid) by one company while performing work for another. In February 1997, temporary help agencies (including a small number

of agency staff) had 1.3 million employees. The number of workers in this arrangement increased by 10 percent over the 2-year period since February 1995, compared with 2.8 percent for traditional employment.

Workers employed by temporary help agencies were more likely than other workers to be young, female, Black, or Hispanic. Nearly one-fourth were under the age of 25. Only 16 percent were attending high school or college, compared with 43 percent of young people working in a traditional job. A majority of temps had at least 1 year of college—but fewer had a college degree, compared with traditional workers (22 percent and 30 percent, respectively). About 55 percent of temps were female, compared with 47 percent of traditional workers. The percentage of temps who were Black (21 percent) was nearly double that for other workers, and the share who were Hispanic also exceeded that in the general workforce. More Hispanic men than women worked as temps.

Most (80 percent) temps worked a full-time week of at least 35 hours. Among those who worked part time, 41 percent would have preferred a full-time job—compared with only 18 percent of traditional workers. Whereas 41 percent of male temps worked as operators, fabricators, or laborers, about half of female temps held clerical jobs.

Nearly 60 percent of all temps said they would prefer a traditional job. When asked why they were working as temps, 35 percent stated it was the only type work they could find. Also, 18 percent hoped the temporary job would lead to permanent employment. Personal reasons were cited less often by the temps than by independent contractors and on-call workers.

The survey confirmed that people employed by temporary help agencies can be assigned to one client for a relatively long time. The median current tenure in the assignment was about 5 months; the median tenure in the employment arrangement was 6 months. Nearly all temps were assigned to just one client during the reference week; 80 percent were registered with just one temp agency.

Temporary help agency workers had the lowest earnings of workers in the four alternative arrangements for full-time workers. Median earnings were about two-thirds those of traditional workers, reflecting the fact that clerical and machine operator jobs typically held by these workers pay lower-than-average wages. Rates of health insurance coverage and pension benefits were the lowest of the arrangements studied. Only 26 percent of temp workers were eligible for their employer's health insurance coverage, and an even smaller percentage—only 7 percent—obtained health insurance through their employer. Pension coverage was even lower; about 1 temp in 10 was eligible for an employer's pension plan; only 4 percent participated in such a plan.

### **Contract Company Workers**

These individuals worked for a company that provides employees or their services to other organizations under contract. They usually worked for one customer at a time at the customer's work site. This arrangement grew by 24 percent between 1995 and 1997; even so, in February 1997, contract company workers consisted of just 0.6 percent of all workers.

Contract workers were primarily male (70 percent) and between the ages of 25

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and 44 (65 percent). Among female workers, 66 percent had children. Most contract workers worked full time, but women were much more likely to work part time than were men (36 percent and 8 percent, respectively).

Contract company workers were more likely than workers in traditional arrangements to hold professional, technical, service, and precision-production jobs. Comparatively few held managerial, sales, and clerical positions. One-half of male workers were in service and precision-production occupations, compared with 28 percent of men in traditional arrangements. More than 60 percent of women were in professional and service occupations, compared with 34 percent of women in traditional arrangements.

About 40 percent of contract company workers had worked in the arrangement for 1 year or less. Yet, more than 80 percent believed they could remain indefinitely on their current assignment.

Median weekly earnings for contract company employees were higher than earnings for workers in any other arrangement, including a traditional arrangement for full-time workers. Women, however, earned only 64 percent of men's earnings. Almost 70 percent of contract company workers were eligible for employer-provided health insurance, and one-half received it from their employer—the highest rates of any alternative arrangement. Nearly half of the workers in the arrangement were eligible for their employer's pension plan, and 36 percent participated in the plan. These percentages also were the highest among the alternative arrangements.

## Conclusion

Of the four alternative arrangements examined here, independent contracting was the largest. Generally, workers in this arrangement preferred it to a traditional arrangement, viewed their jobs as permanent, worked full time, and were quite highly paid.

In contrast, many workers in other arrangements might have preferred more job security, higher pay, and more hours. However, each arrangement includes workers who were satisfied with their job situation. Thus there appears to be as much variation in the characteristics of the jobs and workers within each type of employment arrangement as there is between different types of arrangements.

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Source: Cohany, S.R., 1998, Workers in alternative employment arrangements: A second look, *Monthly Labor Review* 121(11):3-21.